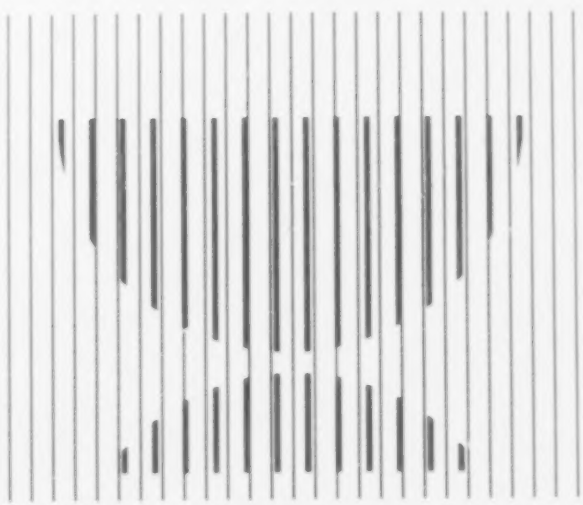
CBO STAFF MEMORANDUM

A PRELIMINARY ANALYSIS OF GROWING CASELOADS IN AFDC

DECEMBER 1991



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J932-47

This Congressional Budget Office Staff Memorandum takes a detailed look at the recent upward surge in caseloads in the Aid to Families with Dependent Children program, and points to reasons for the rapid growth. It was prepared in response to a request from the Committee on Ways and Means.

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Toward the end of 1989, the caseload in the Aid to Families with Dependent Children (AFDC) program began to increase at a rapid rate. Since then, the number of cases has risen by about 675,000, or 18 percent, to an all-time high of 4.5 million in August 1991.

By contrast, the AFDC caseload increased only moderately during most of the 1980s. From 1983 through 1988, the number of cases headed primarily by single parents increased by an average of only about 35,000 a year, despite demographic pressures that should have caused larger increases. But the unemployment rate fell dramatically beginning in 1983 and continued to decline until early 1989, putting downward pressure on the AFDC caseload. It was after the unemployment rate halted its decline that the AFDC caseload started to increase so rapidly.

Although it is too soon to identify fully the causes of the current rapid growth in caseloads, it seems clear that the economy's deterioration has been strong enough to account for some, and probably most, of the accelerated growth. However, increases in the AFDC caseload, primarily for families headed by women, have been larger than in earlier recessions, even though by some measures the current recession has been milder. Thus, it is possible that other forces have emerged recently to enlarge the AFDC caseload.

This possibility is supported by the fact that the models the Congressional Budget Office (CBO) has used for a number of years to predict

AFDC caseloads significantly underestimate recent caseload growth.[1] The model for the AFDC-Basic caseload, grounded on data through fiscal year 1989, predicted only about one-third of the actual growth in the caseload in 1990 and the first half of 1991, a proportion representing an estimated increase of about 100,000 cases annually, compared with actual growth of 330,000 annually.[2] The model for the AFDC-Unemployed Parent (UP) caseload performed better, predicting somewhat more than 75 percent of the caseload increase in the 1990-1991 period.

This memorandum takes a preliminary look at changes in AFDC caseloads over time, focusing on the recent rapid increase, and considers several of the most important causes of those changes--economic, demographic, and programmatic. It is part of CBO's ongoing work exploring changes in AFDC caseloads and the determinants of those changes.

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1. The CBO has been using multivariate regression models to predict future AFDC caseloads for the past dozen years. These caseload predictions form the basis of estimates of future federal spending in the AFDC program, one small component of CBO's federal spending "baseline." Until recently these models did a credible job of forecasting AFDC caseloads.

2. The AFDC program provides cash payments for needy children (and their mother or other caretaker relatives) who have been deprived of support because of a parent's absence, death, incapacity, or unemployment. Most children who receive AFDC payments are in single-parent families, usually headed by women. These families form the major portion of the "AFDC-Basic" caseload. The "AFDC-Unemployed Parent" caseload is made up of two-parent families in which the primary earner works fewer than 100 hours a month.

CHANGES IN AFDC CASELOADS

AFDC caseloads have been relatively stable during most of the period since 1973. Before the recent growth spurt, the AFDC-Basic caseload increased from 3 million in 1973 to 3.6 million in mid-1989, a 20 percent increase over 16 years. The major periods of growth (shown in Figure 1) came during economic downturns. The sharp decline in the AFDC-Basic caseload in late 1981 and 1982 resulted from program reductions enacted in the Omnibus Budget Reconciliation Act (OBRA) of 1981.

Unlike the basic caseload, the AFDC-UP caseload--which accounts for only about 6 percent of all AFDC cases--has varied considerably.[3] From approximately 100,000 in 1973, AFDC-UP cases increased to a high of about 300,000 in early 1984--a 200 percent increase during the decade--before falling to fewer than 200,000 cases in 1989 (see the lower line in Figure 1).

Most recently, growth in the number of AFDC cases has taken a sharp upward turn. Between the last quarter of 1989 and August 1991, the number of AFDC-Basic cases increased by almost 600,000, or 16 percent, and AFDC-

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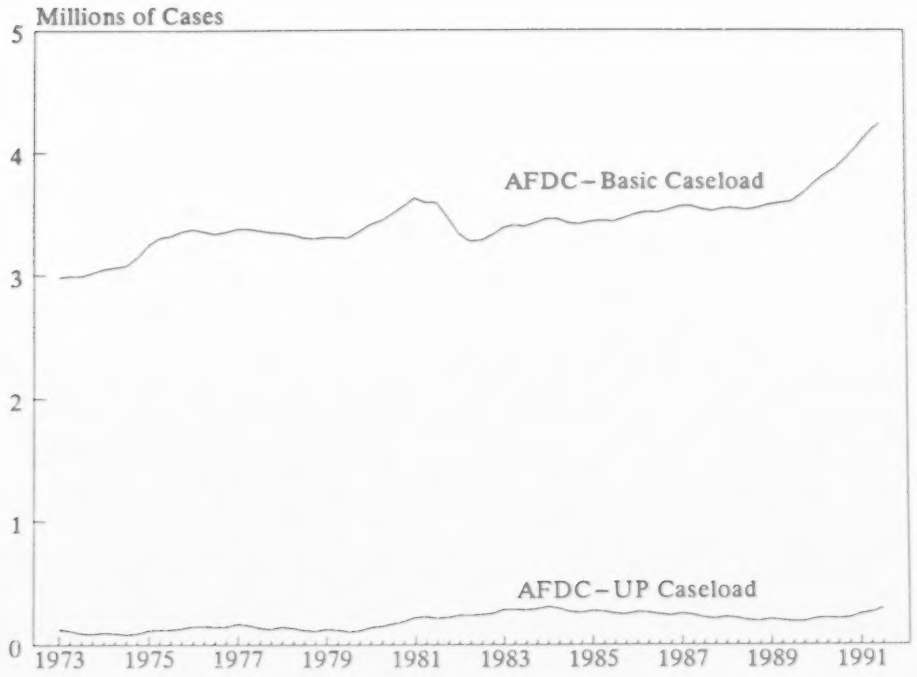
3. In order to be comparable from year to year, the data on the AFDC-UP caseload shown in this memorandum exclude cases in the states required to start an AFDC-UP program beginning October 1, 1990, under provisions of the Family Support Act of 1988. Prior to this act, the AFDC-UP program was at the option of states. As of August 1991, about 30,000 families were receiving AFDC-UP benefits in states that had just started the program.

FIGURE 1.
AFDC Caseloads



SOURCES: Congressional Budget Office; Administration for Children and Families.

NOTES: AFDC is an abbreviation of the Aid to Families with Dependent Children program. The AFDC–Basic caseload is comprised primarily of single–parent families headed by women. The AFDC–Unemployed Parent (UP) caseload is comprised of two–parent families in which the primary earner works fewer than 100 hours a month.

States that initiated the AFDC–UP program in or just before October 1990 in accordance with the Family Support Act of 1988 are not included in the AFDC–UP total.

UP cases increased by about 75,000, or 41 percent. The AFDC-Basic caseload, which hit 4.2 million in August 1991, establishes new records with each passing month. By contrast, the AFDC-UP caseload--at 260,000 in August--remains below its previous peak of just over 300,000, reached in the first quarter of 1984.

This acceleration in caseload growth is evident in all regions of the country. For the year ending in February 1991, the AFDC-Basic caseload grew by 4.7 percent in the Midwest, 8.4 percent in the Northeast, 10.4 percent in the South, and 9.6 percent in the West (see Table 1).[4] Nevertheless, certain states and areas of the country experienced more rapid growth than others. These areas of rapid growth include: New England, particularly New Hampshire, Connecticut, and Rhode Island; the South, especially states along the Atlantic coast; and selected Western states, such as New Mexico and Arizona.

In all four regions shown in Table 1, growth during the year ending in February 1991 was greater than during the preceding year (February 1989 to February 1990), and growth in that year was greater than during the year before (February 1988 to February 1989). In the 1988-1989 period, AFDC-Basic caseloads declined in 22 states, compared with declines in only 3 states

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4. The state and regional data are for February, the midpoint of the first quarter, rather than for August. When these state and regional data were assembled, data for August 1991 were not available.

TABLE 1. PERCENTAGE CHANGE IN THE AFDC-BASIC CASELOAD

State	2/90 to 2/91	2/89 to 2/90	2/88 to 2/89
	Midwest		
Indiana	10.6	4.3	-3.4
Nebraska	5.9	3.0	-2.9
Missouri	5.8	5.0	0.5
Illinois	5.8	-0.3	-5.9
Minnesota	5.5	3.4	0.8
Michigan	4.9	3.1	0.3
Ohio	3.4	2.1	0.4
South Dakota	2.9	1.5	1.5
Kansas	2.9	1.3	5.8
Wisconsin	1.8	-2.8	-6.1
Iowa	0.3	0.9	-4.7
North Dakota	0	0	7.7
Subtotal	4.7	1.7	-1.8
	Northeast		
New Hampshire	35.0	27.7	11.9
Connecticut	17.7	9.9	2.2
Rhode Island	16.8	9.5	-2.6
Vermont	11.4	7.7	-3.0
Maine	9.7	12.8	-2.4
Massachusetts	8.0	8.0	1.3
New Jersey	8.0	4.1	-4.7
New York	7.1	1.4	-1.3
Pennsylvania	6.9	1.0	-2.1
Subtotal	8.4	3.5	-1.5
	South		
North Carolina	21.4	10.0	11.3
Florida	19.2	13.5	5.6
Georgia	13.5	9.4	5.1
Tennessee	13.3	8.3	3.9
D.C.	12.6	1.1	-0.5
Texas	11.5	16.5	5.5
Maryland	11.1	5.2	0.3
Delaware	10.8	13.7	-3.9
South Carolina	10.1	4.6	-9.1

(Continued)

TABLE 1. (Continued)

State	2/90 to 2/91	2/89 to 2/90	2/88 to 2/89
	South (continued)		
Oklahoma	9.8	5.0	1.1
Kentucky	9.0	13.3	-0.7
Virginia	7.0	3.9	-1.8
Arkansas	3.6	3.3	2.1
Alabama	3.5	2.0	-1.5
West Virginia	2.8	4.4	1.9
Mississippi	-0.8	1.5	0.2
Louisiana	-2.1	2.6	1.0
Subtotal	10.4	8.7	2.6
	West		
New Mexico	21.0	2.9	-3.8
Arizona	18.1	20.0	9.0
Idaho	11.7	-3.2	-6.1
Nevada	11.1	14.1	18.3
Oregon	10.5	3.0	5.2
California	9.7	6.9	3.0
Colorado	7.3	6.3	1.2
Washington	5.8	3.7	2.2
Alaska	5.3	4.1	-1.4
Utah	5.2	4.0	-2.0
Hawaii	3.6	5.3	4.0
Montana	3.4	4.8	-3.4
Wyoming	-3.4	11.3	0
Subtotal	9.6	6.8	2.8
Total	8.4	5.3	0.6

SOURCE: Congressional Budget Office calculations based on data from the Administration for Children and Families.

NOTES: States are ranked within each region by their percentage change during the most recent period.

Data for the most recent period are preliminary. Totals exclude caseloads in Guam, Puerto Rico, and the Virgin Islands.

The Aid to Families with Dependent Children-Basic (AFDC-Basic) caseload is comprised primarily of single-parent families headed by women.

during each of the two most recent periods. Interestingly, in 1988-1989 the South and West regions, facing relatively high population growth, had increasing caseloads, while caseloads in the Midwest and Northeast regions (where population was growing much more slowly) were decreasing.

AFDC-UP caseloads also grew more rapidly during the most recent period in all of the regions (see Table 2). However, swings in AFDC-UP caseloads, which are more closely related to the state of the economy, are wider than in AFDC-Basic caseloads. Because AFDC-UP caseloads are very small in some states, growth rates can be very large. For example, three of the dozen states that had fewer than 1,000 AFDC-UP cases a month on average during fiscal year 1990 experienced caseload growth rates of more than 100 percent.

DETERMINANTS OF CASELOAD CHANGE

Many economic and demographic forces, along with changes in policy, combine to determine the number of families receiving AFDC benefits. Some, such as population growth, apply constant upward pressure on caseloads. Others, such as the state of the economy over the business cycle, can increase or decrease caseloads. Still others, such as programmatic or

TABLE 2. PERCENTAGE CHANGE IN THE AFDC-UP CASELOAD

State	2/90 to 2/91	2/89 to 2/90	2/88 to 2/89
	Midwest		
Nebraska	20.0	0	-23.1
Illinois	16.1	-6.1	-20.2
Kansas	10.0	11.1	-10.0
Missouri	10.0	2.6	-15.2
Michigan	9.9	0.8	-8.7
Minnesota	6.9	5.9	-6.8
Ohio	3.0	-5.0	-14.2
Iowa	0	-8.3	-31.4
Wisconsin	0	-12.1	-24.4
Subtotal	7.3	-2.7	-14.9
	Northeast		
Rhode Island	150.0	100.0	0
Connecticut	116.7	50.0	-20.0
Massachusetts	80.0	25.0	9.1
Vermont	75.0	60.0	0
Maine	57.1	55.6	-10.0
New Jersey	47.8	27.8	-18.2
New York	25.3	17.3	-17.3
Pennsylvania	12.0	-1.3	-17.4
Subtotal	33.6	15.5	-15.6
	South		
North Carolina	250.0	100.0	a
Maryland	33.3	0	-25.0
South Carolina	33.3	0	-25.0
Delaware	0	a	a
D.C.	0	0	0
West Virginia	-1.2	-5.7	-10.2
Kentucky	a	a	a
Oklahoma	a	a	a
Subtotal	7.3	-4.0	-11.7

(Continued)

TABLE 2. (Continued)

State	2/90 to 2/91	2/89 to 2/90	2/88 to 2/89
	West		
Oregon	57.9	-17.4	15.0
Washington	25.8	7.2	9.2
California	20.9	12.9	-2.3
Montana	10.0	-9.1	-8.3
Hawaii	0	0	-28.6
Colorado	a	a	a
Utah	a	a	a
Subtotal	21.9	11.1	-1.2
Total	16.8	4.9	-9.5

SOURCE: Congressional Budget Office calculations based on data from the Administration for Children and Families.

NOTES: States that initiated the program in or just before October 1990 in accordance with the Family Support Act of 1988 are not included.

States are ranked within each region by their percentage change during the most recent period.

Data for the most recent period are preliminary. Changes are based on rounded data. Totals exclude caseloads in Guam, Puerto Rico, and the Virgin Islands.

The Aid to Families with Dependent Children-Unemployed Parent (AFDC-UP) caseload is comprised of two-parent families in which the primary earner works fewer than 100 hours a month.

a. Growth rates cannot be calculated because the program was not available or was too small during a portion of the period. States that fall into this category were excluded from the averages for the regions and for the United States.

public policy reforms, can cause sudden increases or decreases in caseloads or can cause more gradual changes.

These many forces may sometimes combine to increase growth in caseloads to record rates, as when an economic downturn reinforces population growth. Alternatively, a period of strong economic expansion or program cuts may cancel the effects of population growth, resulting in stable or decreasing caseloads.

Moreover, economic and demographic forces may differ significantly from state to state. Recessions and economic growth have affected various regions of the country quite differently, and population pressures have also varied sharply from state to state. In conjunction with widely differing AFDC benefit levels or other program parameters among states, economic and demographic forces may lead to very different caseload changes among states. Thus, caseloads in some states have increased sharply during much of the 1980s, while caseloads in others have decreased.

Most recently, for example, states with larger increases in population or the number of unemployed people, such as Florida, New Hampshire, and North Carolina, have often had the most caseload growth (see Tables 3 and 4). Nonetheless, in some states--Virginia, for example--AFDC caseload

TABLE 3. PERCENTAGE CHANGE IN THE AFDC-BASIC CASELOAD AND IN VARIABLES AFFECTING CASELOAD CHANGE

State	AFDC-Basic Caseload, 2/90 to 2/91	Population, 1989 to 1990	Unemployed, 1990:1 to 1991:1
		Midwest	
Indiana	10.6	0.4	21.8
Nebraska	5.9	0.2	5.8
Missouri	5.8	0.4	13.6
Illinois	5.8	0.2	8.0
Minnesota	5.5	0.9	14.9
Michigan	4.9	0.5	19.2
Ohio	3.4	0.2	12.7
South Dakota	2.9	-0.1	-2.3
Kansas	2.9	0.2	21.2
Wisconsin	1.8	0.7	17.3
Iowa	0.3	0.2	18.6
North Dakota	0	-1.1	-10.7
Subtotal	4.7	0.3	14.4
		Northeast	
New Hampshire	35.0	0.4	45.6
Connecticut	17.7	0.1	8.1
Rhode Island	16.8	0.2	20.9
Vermont	11.4	0.9	65.5
Maine	9.7	0.7	64.8
Massachusetts	8.0	0	72.4
New Jersey	8.0	0.1	37.5
New York	7.1	0	26.4
Pennsylvania	6.9	0.1	25.0
Subtotal	8.4	0.1	33.8
		South	
North Carolina	21.4	1.0	45.3
Florida	19.2	2.4	23.0
Georgia	13.5	1.0	29.3
Tennessee	13.3	0.5	30.2
D.C.	12.6	-2.7	13.5
Texas	11.5	1.1	7.5
Maryland	11.1	1.1	51.2
Delaware	10.8	1.2	39.7
South Carolina	10.1	0.9	38.4
Oklahoma	9.8	-0.1	10.3

(Continued)

TABLE 3. (Continued)

State	AFDC-Basic Caseload, 2/90 to 2/91	Population, 1989 to 1990	Unemployed, 1990:1 to 1991:1
	South (continued)		
Kentucky	9.0	0.2	11.2
Virginia	7.0	1.1	50.6
Arkansas	3.6	0.2	9.3
Alabama	3.5	0.3	7.3
West Virginia	2.8	-0.8	24.4
Mississippi	-0.8	-0	16.7
Louisiana	-2.1	-0.8	4.4
Subtotal	10.4	0.9	21.5
	West		
New Mexico	21.0	0.7	22.7
Arizona	18.1	1.2	5.3
Idaho	11.7	1.3	13.6
Nevada	11.1	5.7	31.8
Oregon	10.5	1.8	11.9
California	9.7	1.9	43.6
Colorado	7.3	0.5	13.1
Washington	5.8	2.5	20.4
Alaska	5.3	0.5	4.2
Utah	5.2	1.0	2.2
Hawaii	3.6	1.2	-13.9
Montana	3.4	-0.1	35.5
Wyoming	-3.4	-0.9	5.5
Subtotal	9.6	1.7	30.5
Total	8.4	0.8	23.8

SOURCES: Congressional Budget Office calculations based on data from the Administration for Children and Families, the Bureau of the Census, and the Bureau of Labor Statistics.

NOTES: States are ranked within each region by their percentage change during the most recent period.

The Aid to Families with Dependent Children-Basic (AFDC-Basic) caseload is comprised primarily of single-parent families headed by women.

TABLE 4. PERCENTAGE CHANGE IN THE AFDC-UP CASELOAD AND IN VARIABLES AFFECTING CASELOAD CHANGE

State	AFDC-UP Caseload, 2/90 to 2/91	Population, 1989 to 1990	Unemployed, 1990:1 to 1991:1
	Midwest		
Nebraska	20.0	0.2	5.8
Illinois	16.1	0.2	8.0
Kansas	10.0	0.2	21.2
Missouri	10.0	0.4	13.6
Michigan	9.9	0.5	19.2
Minnesota	6.9	0.9	14.9
Ohio	3.0	0.2	12.7
Iowa	0	0.2	18.6
Wisconsin	0	0.7	17.3
Subtotal	7.3	0.4	14.1
	Northeast		
Rhode Island	150.0	0.2	20.9
Connecticut	116.7	0.1	8.1
Massachusetts	80.0	0	72.4
Vermont	75.0	0.9	65.5
Maine	57.1	0.7	64.8
New Jersey	47.8	0.1	37.5
New York	25.3	0	26.4
Pennsylvania	12.0	0.1	25.0
Subtotal	33.6	0.1	33.5
	South		
North Carolina	250.0	1.0	45.3
Maryland	33.3	1.1	51.2
South Carolina	33.3	0.9	38.4
Delaware	0	1.2	39.7
D.C.	0	-2.7	13.5
West Virginia	-1.2	-0.8	24.4
Kentucky	a	0.2	11.2
Oklahoma	a	-0.1	10.3
Subtotal	7.3	0.5	30.5

(Continued)

TABLE 4. (Continued)

State	AFDC-UP Caseload, 2/90 to 2/91	Population, 1989 to 1990	Unemployed, 1990:1 to 1991:1
		West	
Oregon	57.9	1.8	11.9
Washington	25.8	2.5	20.4
California	20.9	1.9	43.6
Montana	10.0	-0.1	35.5
Hawaii	0	1.2	-13.9
Colorado	a	0.5	13.1
Utah	a	1.0	2.2
Subtotal	21.9	1.7	33.7
Total	16.8	0.7	26.4

SOURCE: Congressional Budget Office calculations based on data from the Administration for Children and Families, the Bureau of the Census, and the Bureau of Labor Statistics.

NOTES: States that initiated the program in or just before October 1990 in accordance with the Family Support Act of 1988 are not included.

States are ranked within each region by their percentage change in the AFDC caseload.

Subtotals and totals are only for the states shown in the table.

The Aid to Families with Dependent Children-Unemployed Parent (AFDC-UP) caseload is comprised of two-parent families in which the primary earner works fewer than 100 hours a month.

a. Growth rates cannot be calculated because the program was not available or was too small during a portion of the period. States that fall into this category were excluded from the averages for the regions and for the United States.

changes do not appear to correspond closely to population and unemployment changes.

Because the forces at work are disparate and differences among states are so large, the precise causes of changes in AFDC caseloads may be difficult to pinpoint at the national level.

Economic Determinants

A variety of economic forces can affect AFDC caseloads: the state of the economy over the business cycle, long-run trends in incomes, shifts in income distribution, and changes in the proportion of the population in poverty. This memorandum deals only with the first economic determinant, the business cycle.

In August 1990, the economy entered a period of recession, although it had begun to show weakness even earlier. During recessionary periods, the AFDC caseload usually increases as the economy declines. In this way, the AFDC program helps to form part of society's safety net for families with children who are faced with unemployment or reduced hours of work.

Recent Changes in Unemployment. From the first quarter of 1988 to the first quarter of 1989, most states' unemployment rates fell (see Table 5). Two

TABLE 5. CHANGE IN THE UNEMPLOYMENT RATE (In percentage points)

State	First Quarter 1990 to First Quarter 1991	First Quarter 1989 to First Quarter 1990	First Quarter 1988 to First Quarter 1989
	Midwest		
Michigan	1.6	1.1	-2.2
Indiana	1.3	0.4	-1.2
Iowa	0.9	0	-0.8
Wisconsin	0.9	0.2	-0.9
Ohio	0.9	0.5	-1.2
Kansas	0.8	0	-0.7
Minnesota	0.7	0.6	-0
Missouri	0.7	0.1	-0.2
Illinois	0.5	0.2	-1.5
Nebraska	0.1	-0.8	-0.9
South Dakota	-0.1	-0.4	0.5
North Dakota	-0.5	-0.1	-0.5
	Northeast		
Massachusetts	4.2	1.7	0.2
Maine	3.4	1.0	-0.4
Vermont	3.1	1.0	0.4
New Hampshire	2.2	2.3	0.1
New Jersey	1.9	0.9	-0.2
Pennsylvania	1.6	1.1	-1.2
New York	1.5	0.2	0.7
Rhode Island	1.4	3.7	0.1
Connecticut	0.5	1.8	0.3
	South		
Maryland	2.2	-0	-0.8
Delaware	2.0	1.3	0.1
West Virginia	2.0	-0.7	-1.8
Virginia	2.0	-0.2	0.4
North Carolina	1.8	0.1	-0.5
South Carolina	1.7	0	-0.5

(Continued)

TABLE 5. (Continued)

State	First Quarter 1990 to First Quarter 1991	First Quarter 1989 to First Quarter 1990	First Quarter 1988 to First Quarter 1989
		South (continued)	
Tennessee	1.6	-0.2	-0.5
Georgia	1.4	-0.4	-0.9
D.C.	1.2	1.1	-0.5
Mississippi	1.2	0.8	0.3
Florida	1.2	-0.3	0.4
Arkansas	0.8	-1.0	-0.5
Kentucky	0.7	-1.0	-1.6
Oklahoma	0.6	-0.2	-0.8
Alabama	0.4	-0.8	0.1
Texas	0.3	-1.0	-1.3
Louisiana	0.1	-3.1	-2.6
		West	
California	2.3	0.2	-0.4
Montana	2.1	-1.7	-0.8
New Mexico	1.3	-1.1	-1.3
Nevada	1.2	-0.7	-0.7
Washington	1.2	-1.3	-0.2
Idaho	0.9	0.4	-1.7
Oregon	0.6	-0.7	-0
Colorado	0.5	-1.4	-0.9
Wyoming	0.4	-1.0	-0.7
Alaska	0.3	-0.3	-2.5
Arizona	0.2	-0.5	-0.2
Utah	-0	-0.5	-0.5
Hawaii	-0.5	0.4	-0.2
Total	1.2	0.1	-0.5

SOURCE: Congressional Budget Office calculations based on data from the Bureau of Labor Statistics.

NOTE: States are ranked within each region by their change during the most recent period.

years later--from the first quarter of 1990 to the first quarter of 1991--unemployment rates increased in all but four states. These data indicate that the economic downturn hit New England first, before spreading to other parts of the country, and it appears to have hit the New England states hardest.

As far as AFDC caseloads are concerned, it is more important to look at the number of unemployed rather than the unemployment rate in the 1990-1991 recession. The labor force has increased at a much slower rate than normal in this slump, causing smaller increases in the unemployment rate than in earlier recessions.[5]

Nationally, the number of unemployed declined by almost 8 percent in 1988 and increased by 24 percent in the most recent year (see Table 6). The Northeast was the only region with rising numbers of unemployed in 1988. Moreover, in 1989 and most recently, the Northeast continued to register the largest percentage increases. In the most recent period, the number of unemployed increased by 34 percent in the Northeast, 31 percent in the West, 22 percent in the South, and 14 percent in the Midwest.

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5. The phenomenon of small increases in the unemployment rate in this recession may be an important factor in the poor forecasting records of the AFDC regression models, which use unemployment rates to measure cyclical effects. Better results may be attained by using the number of people employed or unemployed.

TABLE 6. CHANGE IN THE NUMBER OF PEOPLE UNEMPLOYED
(Average annual growth rates)

State	First Quarter 1990 to First Quarter 1991	First Quarter 1989 to First Quarter 1990	First Quarter 1988 to First Quarter 1989
		Midwest	
Indiana	21.8	7.1	-16.2
Kansas	21.2	0.5	-13.2
Michigan	19.2	16.2	-21.5
Iowa	18.6	-0.2	-11.5
Wisconsin	17.3	2.2	-10.6
Minnesota	14.9	14.1	0.9
Missouri	13.6	1.9	-2.6
Ohio	12.7	9.3	-15.7
Illinois	8.0	3.9	-16.5
Nebraska	5.8	-20.8	-20.1
South Dakota	-2.3	-9.1	13.3
North Dakota	-10.7	-3.1	-9.4
Subtotal	14.4	6.9	-14.4
		Northeast	
Massachusetts	72.4	41.3	6.8
Vermont	65.5	31.6	16.1
Maine	64.8	27.6	-6.3
New Hampshire	45.6	94.7	5.5
New Jersey	37.5	23.2	-3.8
New York	26.4	3.6	17.1
Pennsylvania	25.0	26.1	-18.2
Rhode Island	20.9	105.3	3.4
Connecticut	8.1	57.6	10.7
Subtotal	33.8	22.4	1.2
		South	
Maryland	51.2	1.4	-14.8
Virginia	50.6	-2.5	12.3
North Carolina	45.3	4.6	-10.2
Delaware	39.7	35.7	7.2
South Carolina	38.4	2.1	-8.8

(Continued)

TABLE 6. (Continued)

State	First Quarter 1990 to First Quarter 1991	First Quarter 1989 to First Quarter 1990	First Quarter 1988 to First Quarter 1989
		South (continued)	
Tennessee	30.2	-1.9	-8.5
Georgia	29.3	-7.1	-12.2
West Virginia	24.4	-5.2	-14.4
Florida	23.0	8.7	9.1
Mississippi	16.7	-7.2	4.6
D.C.	13.5	-14.7	-12.5
Kentucky	11.2	-10.7	-15.3
Oklahoma	10.3	-1.2	-13.5
Arkansas	9.3	-10.4	-3.8
Texas	7.5	-13.1	-14.5
Alabama	7.3	-13.0	4.0
Louisiana	4.4	-34.4	-22.3
Subtotal	21.5	-6.7	-8.5
		West	
California	43.6	5.2	-4.9
Montana	35.5	-21.3	-8.9
Nevada	31.8	-10.0	-7.1
New Mexico	22.7	-14.7	-14.9
Washington	20.4	-14.2	2.4
Idaho	13.6	8.1	-17.8
Colorado	13.1	-19.1	-12.6
Oregon	11.9	-11.3	5.2
Wyoming	5.5	-11.0	-8.2
Arizona	5.3	-9.5	2.1
Alaska	4.2	-1.7	-22.3
Utah	2.2	-10.1	-5.0
Hawaii	-13.9	19.2	-3.7
Subtotal	30.5	-3.2	-4.9
Total	23.8	2.4	-7.9

SOURCE: Congressional Budget Office calculations based on data from the Bureau of Labor Statistics.

NOTE: States are ranked within each region by their percentage change during the most recent period.

Changes in AFDC Caseloads Over the Business Cycle. All of the growth spurts in the AFDC-Basic caseload since 1973 have taken place during, just prior to, or just after the period's four recessions (see Figure 2). During the periods of economic growth between recessions, the caseload has been relatively stable, decreasing slightly in the late 1970s and increasing moderately in the 1980s.

The AFDC-UP caseload is more closely related to the economy, mirroring changes in unemployment rates, though with a lag during cyclical upturns (see Figure 3).[6] Thus, unlike the AFDC-Basic caseload, the AFDC-UP caseload declines significantly during periods of expansion.

To understand how AFDC caseloads change as the economy moves into and out of recessions, Figure 4 shows the AFDC-Basic caseload for the quarters during, just before, and just after the most recent recession and the last three recessions (1981-1982, 1980, and 1973-1975). Caseloads are plotted by quarters, beginning with four quarters before the recessions started (delineated by the vertical line on the figure) and ending with four quarters after the recessions finished (shown by asterisks). Although the National Bureau of Economic Research has not yet declared the latest recession to be

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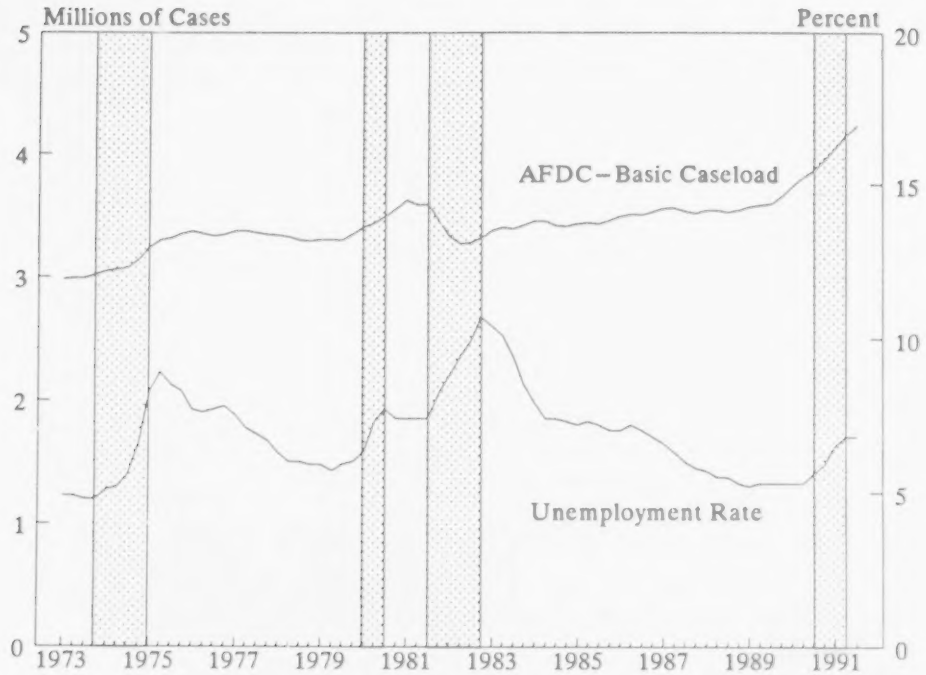
6. The scales used in Figures 3 and 5 are much larger than those used in Figures 2 and 4 to show the cyclical changes.

FIGURE 2.
AFDC–Basic Caseload and Unemployment Rate

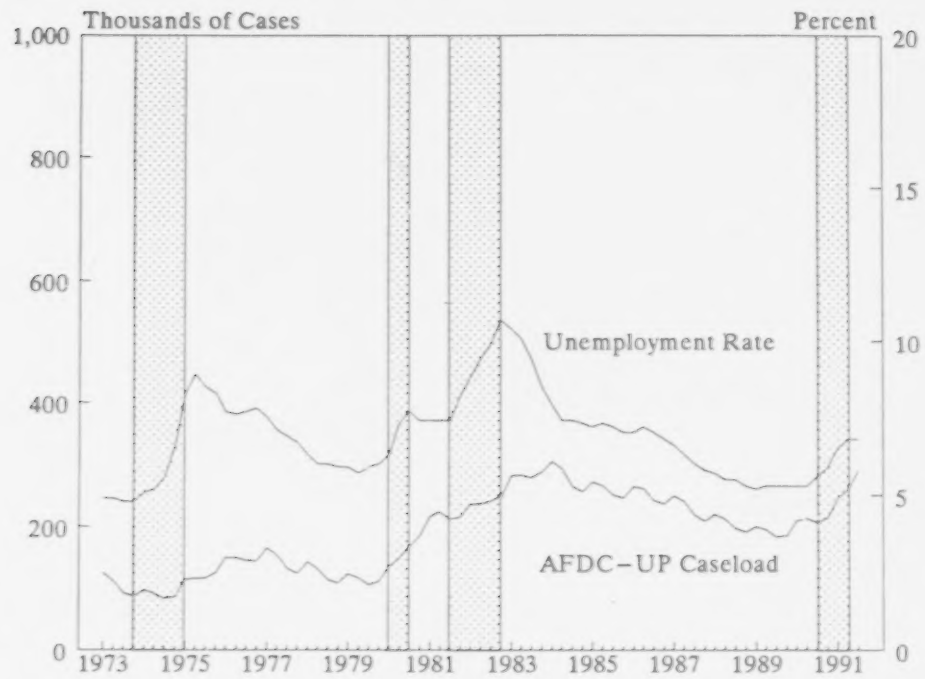


SOURCES: Congressional Budget Office; Administration for Children and Families; Bureau of Labor Statistics.

NOTES: The shaded areas show periods of recession. The shaded area for 1990–1991 assumes the recession trough occurred in the second quarter of 1991.

AFDC is an abbreviation of the Aid to Families with Dependent Children program. The AFDC–Basic caseload is comprised primarily of single–parent families headed by women.

FIGURE 3.
AFDC–UP Caseload and Unemployment Rate



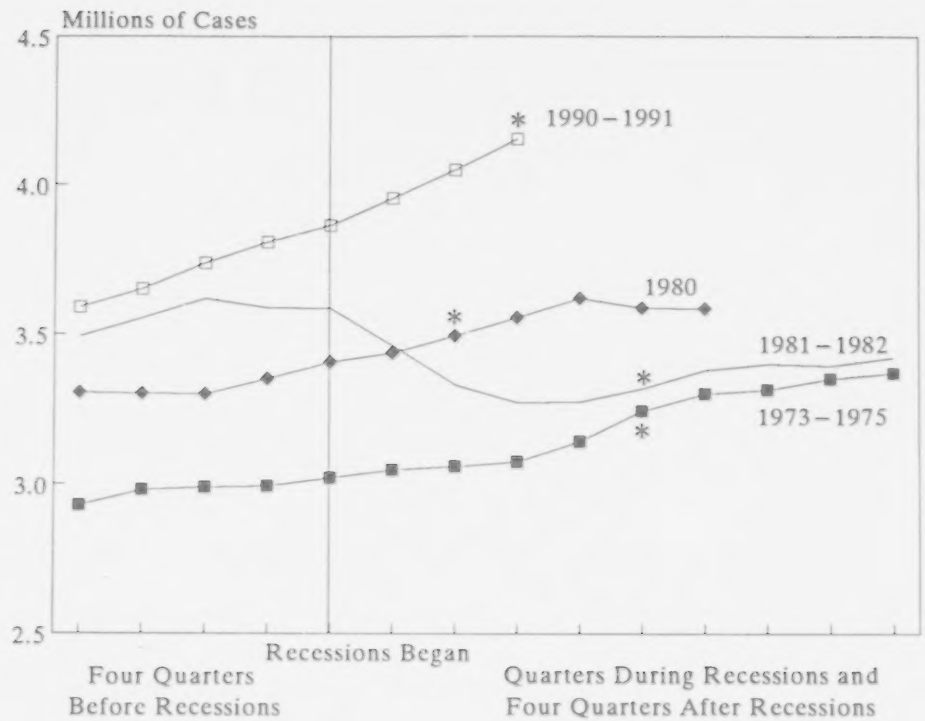
SOURCES: Congressional Budget Office; Administration for Children and Families; Bureau of Labor Statistics.

NOTES: The shaded areas show periods of recession. The shaded area for 1990–1991 assumes the recession trough occurred in the second quarter of 1991.

AFDC is an abbreviation of the Aid to Families with Dependent Children program. The AFDC–Unemployed Parent (UP) caseload is comprised of two–parent families in which the primary earner works fewer than 100 hours a month.

States that initiated the AFDC–UP program in or just before October 1990 in accordance with the Family Support Act of 1988 are not included.

FIGURE 4.
AFDC–Basic Caseload Before, During, and After the Last Four Recessions



SOURCES: Congressional Budget Office; Administration for Children and Families.

NOTES: This figure shows the AFDC–Basic caseload for the four quarters before the last four recessions (1990–1991, 1981–1982, 1980, and 1973–1975) began, for the quarters during the recessions (which are of varying length), and for the four quarters after the recessions ended. The vertical line indicates the quarters in which the recessions began; asterisks show the quarters in which the recessions ended. CBO assumes that the 1990–1991 recession ended in the second quarter of 1991.

AFDC is an abbreviation of the Aid to Families with Dependent Children program. The AFDC–Basic caseload is comprised primarily of single–parent families headed by women.

over, CBO believes that the recovery most likely began during the second quarter of 1991.

In the latest recession and also in 1980, the AFDC-Basic caseload began to grow more rapidly before the start of the downturns. However, a similar pattern of prerecession growth was not evident before the 1973-1975 recession.[7] Further, during the year after the 1973-1975 and 1980 recessions ended, the caseload grew more slowly or declined slightly.

The 1990-1991 recession showed a much more marked increase in the caseload just before and during the slump than the previous three recessions, even though the latest has been milder in some regards. A portion of these larger increases is simply a result of a larger base caseload and seasonal growth. Growth for the latest recession was artificially high because the downturn began in August and was measured through February, a period of seasonally rising caseloads; growth for the 1980 recession was artificially low because the recession started in February and ended in July, a period of seasonally decreasing caseloads.

Legislative changes in 1981 in the AFDC program have almost certainly exaggerated the effects of subsequent business cycles on AFDC. The

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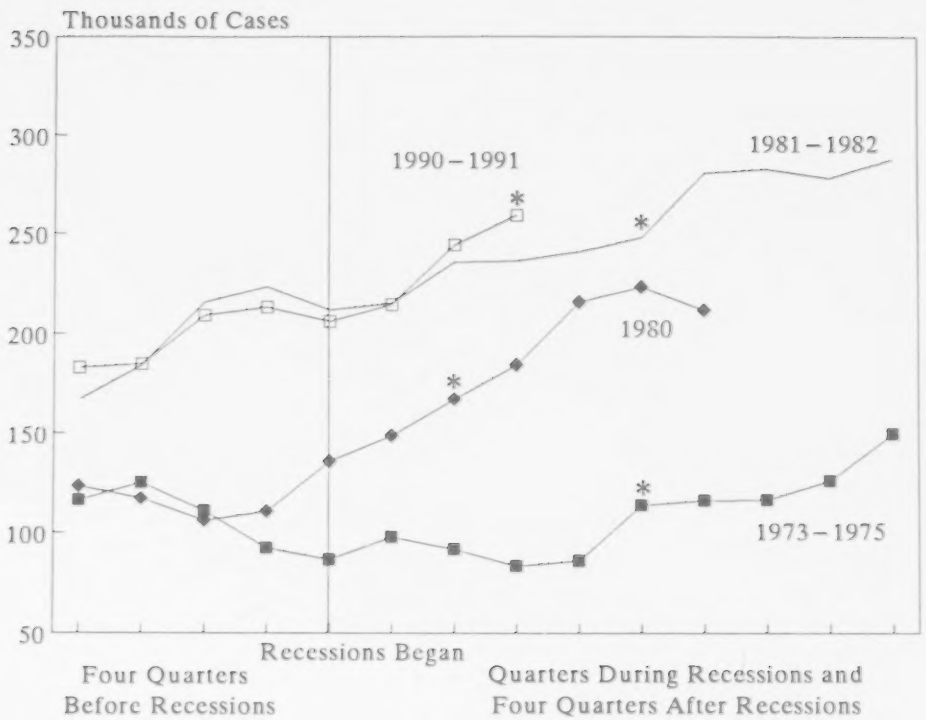
7. It is difficult to judge what happened to the AFDC-Basic caseload during and just after the 1981-1982 recession because this period coincided with the program cuts enacted in OBRA of 1981.

Omnibus Budget Reconciliation Act of 1981 made about 450,000 families ineligible for AFDC, largely because of the provisions limiting the amount of earnings disregarded in determining eligibility. Such families now form an added pool of probable AFDC recipients in the event that they lose their earnings. Also, during economic expansions, families should leave AFDC faster after they have found jobs because OBRA has tightened the earnings limits for AFDC eligibility.

Figure 5 is designed like Figure 4 to show how the AFDC-UP caseload changes as the economy moves into and out of recessions. The 1990-1991 recession period was similar to the 1981-1982 period, except that caseload increases have been larger during the latest recession. Since both recessions started in August, the caseload changes incorporate similar seasonal effects. There is some evidence that the caseload increased before the start of the 1990-1991, 1981-1982, and 1980 recessions (also see Figure 3). In addition, there is a long lag before the AFDC-UP caseload decreases after recessions. In only one of the three earlier recessions--1980--did the caseload decline significantly during any of the four quarters following the recession.

The effects of the 1990-1991 recession on AFDC caseloads have differed sharply by geographic area. In the Northeast, which fared relatively well in the 1980 recession, growth in AFDC-Basic cases in the current recession has been six times as rapid as in the 1980 one (see Table 7). In the

FIGURE 5.
AFDC–UP Caseload Before, During, and After the Last Four Recessions



SOURCES: Congressional Budget Office; Administration for Children and Families.

NOTES: This figure shows the AFDC–UP caseload for the four quarters before the last four recessions (1990–1991, 1981–1982, 1980, and 1973–1975) began, for the quarters during the recessions (which are of varying length), and for the four quarters after the recessions ended. The vertical line indicates the quarters in which the recessions began; asterisks show the quarters in which the recessions ended. CBO assumes that the 1990–1991 recession ended in the second quarter of 1991.

AFDC is an abbreviation of the Aid to Families with Dependent Children program. The AFDC–Unemployed Parent (UP) caseload is comprised of two–parent families in which the primary earner works fewer than 100 hours a month.

States that initiated the AFDC–UP program in or just before October 1990 in accordance with the Family Support Act of 1988 are not included in the total.

TABLE 7. CHANGE IN THE AFDC-BASIC CASELOAD OVER THE BUSINESS CYCLE (Average annual growth rates)

State	Periods of Recession			Periods of Growth		
	2/80 to 8/80	8/81 to 11/82[a]	8/90 to 2/91	2/75 to 2/80	8/80 to 8/81	11/82 to 8/90
Midwest						
Indiana	15.6	-4.3	9.9	1.2	7.2	-0.3
South Dakota	-10.0	-9.6	9.2	-1.1	-3.1	1.9
Michigan	9.5	-4.0	8.6	1.4	-3.0	0.4
Missouri	14.0	-9.3	8.1	-4.8	2.4	1.2
Kansas	17.4	-14.0	6.8	2.5	5.0	1.3
Illinois	6.2	-3.1	5.0	0	7.1	-0.6
Nebraska	11.9	-6.0	4.3	0.5	8.0	1.7
Ohio	9.6	-3.1	2.9	0.9	6.8	2.4
Minnesota	7.6	-16.7	2.7	2.8	3.6	3.4
Wisconsin	13.0	-8.0	2.3	7.0	6.9	0.1
Iowa	10.8	-8.7	1.2	6.4	-0.6	-0
North Dakota	11.7	-16.8	0	1.7	0.2	5.1
Subtotal	9.8	-5.6	5.4	1.0	3.8	0.8
Northeast						
New Hampshire	11.1	-11.4	37.8	-1.0	1.5	0
Rhode Island	2.8	-13.9	16.7	3.0	2.1	1.8
Connecticut	2.9	-10.0	15.6	3.9	3.4	1.0
New Jersey	1.5	-11.1	12.7	1.9	2.2	-2.4
Vermont	9.3	-11.9	11.1	4.6	4.2	2.1
Maine	-0.7	-12.7	9.5	-3.6	-3.2	2.0
Pennsylvania	0.7	-7.5	7.2	2.2	0.1	-0.6
New York	1.8	-2.1	7.1	-0.3	1.3	0.2
Massachusetts	-0.3	-19.6	6.8	2.4	0.1	1.0
Subtotal	1.4	-8.0	8.8	1.1	1.1	-0.1
South						
North Carolina	4.2	-11.8	28.0	5.7	0.6	4.1
Florida	14.5	-1.6	22.2	2.3	6.5	4.5
Georgia	7.8	-2.6	19.2	-6.1	5.9	2.3
South Carolina	6.8	-12.2	17.5	5.5	2.7	-2.9
D.C.	-6.2	-8.4	15.1	-0.4	-7.5	-3.1
Tennessee	12.7	-10.7	15.1	-1.4	4.0	4.5
Virginia	9.0	-4.2	12.8	1.4	2.7	-0.6
Delaware	6.0	-9.8	11.8	2.4	-0.7	-1.7
Texas	2.8	-5.4	10.4	-2.7	5.1	11.1
Kentucky	7.1	-13.3	10.2	4.1	5.6	2.6
Maryland	6.7	-10.9	10.1	2.6	4.3	0.2
Alabama	1.6	-4.2	9.0	5.0	-7.6	-2.5
Arkansas	-1.0	-21.2	7.4	-1.4	-0.2	1.8

(Continued)

TABLE 7. (Continued)

State	Periods of Recession 2/80 to 8/80	Periods of Recession 8/81 to 11/82[a]	Periods of Recession 8/90 to 2/91	Periods of Growth 2/75 to 2/80	Periods of Growth 8/80 to 8/81	Periods of Growth 11/82 to 8/90
South (continued)						
Oklahoma	6.7	-19.7	2.4	-0.5	-1.1	7.8
Mississippi	5.6	-15.5	0.3	1.2	5.1	2.3
Louisiana	6.0	-6.5	-4.0	0.5	1.4	5.1
West Virginia	0	-10.5	-4.7	4.2	2.4	4.3
Subtotal	6.2	-8.6	12.1	0.8	2.7	3.5
West						
New Mexico	9.4	-7.1	25.2	-0.6	2.3	3.3
Wyoming	6.9	-1.5	24.9	3.0	-2.3	9.1
Nevada	29.0	-9.2	20.5	-3.5	18.6	7.7
Idaho	5.1	-2.5	16.8	4.2	-11.1	-1.0
Oregon	8.5	-12.6	14.0	5.3	-15.3	2.3
Arizona	36.6	-2.1	13.3	-3.7	16.7	9.8
Colorado	9.4	-4.4	11.4	-2.5	0.4	4.7
California	1.4	-0.2	10.2	1.3	3.5	3.8
Montana	11.5	-3.8	9.4	-3.0	1.1	4.3
Washington	15.2	-0.5	8.3	1.9	3.5	4.3
Utah	25.7	-0.2	7.8	-1.4	9.3	3.2
Hawaii	4.8	-12.0	4.3	5.4	1.6	-1.9
Alaska	9.6	-26.1	-2.5	8.1	8.0	7.6
Subtotal	5.2	-2.0	10.7	1.2	2.6	4.0
Total	5.6	-6.4	9.4	1.0	2.5	2.1

SOURCE: Congressional Budget Office calculations based on data from the Administration for Children and Families.

NOTES: Periods of recession are those from the peak of the business cycle to the trough. CBO assumes that the 1990-1991 recession ended in the second quarter of 1991. Periods of growth are those from the trough of the business cycle to the peak. The dates shown for the periods of recession and the periods of growth are for the middle month of the quarter in which the business cycle reached its peak or trough. Thus they differ from the precise months that date the business cycles according to the National Bureau of Economic Research.

States are ranked within each region by their average annual caseload growth during the most recent period. Data for the most recent period are preliminary.

Totals exclude caseloads in Guam, Puerto Rico, and the Virgin Islands.

The Aid to Families with Dependent Children-Basic (AFDC-Basic) caseload is comprised primarily of single-parent families headed by women.

a. The 8/81 to 11/82 recessionary period has negative growth rates because of the changes made to AFDC by the Omnibus Budget Reconciliation Act of 1981.

South and West, caseload growth has been about twice as high, and in the Midwest--hit hard by the 1980 and 1981-1982 recessions--growth has been only half of that in 1980. For the AFDC-UP caseload, geographic patterns are often similar to those for AFDC-Basic cases (see Table 8). Growth rates in the AFDC-UP program are likely to be much higher, however, not only because of the stronger effect of the economy on AFDC-UP but also because AFDC-UP caseloads are quite small in many states.

Demographic Determinants

Increasing population naturally brings with it an increasing AFDC caseload. The number of family households in the United States has risen from 51 million in 1970 to 66 million in 1990, an increase of almost 30 percent. Along with this general increase, the composition of the population has also changed in ways that raise the number of AFDC cases.

Family Type. Families that are headed by women who have children under the age of 18 are the major group eligible to receive AFDC, and their number has been growing in comparison with all families with children. Families headed by mothers who have children under the age of 18 have increased from 12 percent of all families with children in 1970 to 24 percent in 1990,

TABLE 8. CHANGE IN THE AFDC-UP CASELOAD OVER THE BUSINESS CYCLE (Average annual growth rates)

State	Periods of Recession			Periods of Growth		
	2/80 to 8/80	8/81 to 11/82[a]	8/90 to 2/91	2/75 to 2/80	8/80 to 8/81[b]	11/82 to 8/90
Midwest						
Missouri	230.6	c	58.0	c	c	c
Kansas	224.0	52.3	49.4	10.8	44.4	-2.6
Nebraska	300.0	74.1	44.0	c	100.0	2.9
Michigan	129.7	8.3	37.6	9.5	30.9	-7.1
Iowa	273.8	c	34.1	49.6	c	-1.9
Illinois	44.0	20.0	29.2	-13.5	50.0	-5.5
Wisconsin	103.1	47.3	21.3	10.8	57.9	-7.6
Minnesota	166.2	15.4	14.4	13.7	48.4	3.5
Ohio	61.7	3.0	8.1	-2.5	53.1	-3.7
Subtotal	101.9	13.2	25.1	0.9	43.2	-5.0
Northeast						
Rhode Island	0	25.9	525.0	-10.6	-25.0	-8.6
Vermont	96.0	0	300.0	-11.1	-14.3	2.0
Maine	c	c	115.1	c	c	c
Connecticut	30.6	30.9	108.6	c	25.0	-5.5
Massachusetts	4.0	-19.6	82.3	5.6	-17.6	-5.9
New Jersey	3.9	4.0	47.4	c	11.3	-9.7
New York	6.2	19.4	47.4	17.1	14.7	-5.0
Pennsylvania	6.3	7.3	36.1	23.8	31.3	-8.4
Subtotal	7.2	8.4	60.5	14.0	13.3	-6.8
South						
North Carolina	c	c	444.4	c	c	c
Maryland	17.4	0	77.8	-3.0	30.8	-12.6
South Carolina	c	c	77.8	c	c	c
D.C.	0	0	0	0	0	-8.6
West Virginia	0	23.5	-11.2	15.7	48.3	5.8
Delaware	77.8	0	c	24.6	0	c
Kentucky	c	c	c	c	c	c
Oklahoma	c	c	c	c	c	c
Subtotal	8.9	15.5	4.0	8.2	37.5	3.0

(Continued)

TABLE 8. (Continued)

State	Periods of Recession			Periods of Growth		
	2/80 to 8/80	8/81 to 11/82[a]	8/90 to 2/91	2/75 to 2/80	8/80 to 8/81[b]	11/82 to 8/90
			West			
Washington	40.5	c	86.6	0.4	c	c
Montana	177.8	c	49.4	c	0	c
California	39.4	10.9	35.5	1.9	41.8	0.7
Hawaii	0	21.3	0	17.6	22.2	-12.4
Colorado	39.7	43.6	c	-11.3	7.7	c
Utah	125.0	c	c	7.0	c	c
Oregon	c	c	c	c	c	c
Subtotal	41.5	11.7	39.6	1.6	40.2	0.6
Total	52.2	12.0	34.5	3.4	35.8	-2.8

SOURCE: Congressional Budget Office calculations based on data from the Administration for Children and Families.

NOTES: Periods of recession are those from the peak of the business cycle to the trough. CBO assumes that the 1990-1991 recession ended in the second quarter of 1991. Periods of growth are those from the trough of the business cycle to the peak. The dates shown for the periods of recession and the periods of growth are for the middle month of the quarter in which the business cycle reached its peak or trough. Thus they differ from the precise months that date the business cycles according to the National Bureau of Economic Research.

States are ranked within each region by their average annual caseload growth during the most recent period.

States that initiated the program in or just before October 1990 in accordance with the Family Support Act of 1988 are not included. Data for the most recent period are preliminary. Changes are based on rounded data. Totals exclude caseloads in Guam, Puerto Rico, and the Virgin Islands.

The Aid to Families with Dependent Children-Unemployed Parent (AFDC-UP) caseload is comprised of two-parent families in which the primary earner works fewer than 100 hours a month.

a. The 8/81 to 11/82 recessionary period has relatively low growth rates because of the changes made to AFDC by the Omnibus Budget Reconciliation Act of 1981.

b. The 8/80 to 8/81 period has high growth rates because it is a short period between two recessions.

c. Growth rates cannot be calculated because the program was not available or was too small during a portion of the period. States that fall into this category were excluded from the averages for the regions and for the United States.

when they numbered 8.4 million (see Table 9).[8] Their growth has slowed during the 1980s, however, with annual increases averaging 215,000, well below average annual increases of 280,000 in the 1970s.[9]

In addition, the proportion of these families headed by mothers who had never married also increased--from 7 percent in 1970 to 33 percent in 1990 (see Table 9).[10] Research indicates that mothers who had never been married when they begin their first AFDC spell have longer than average stays on AFDC: 39 percent with stays of 10 years or more, compared with 14 percent for divorced mothers.[11]

This increase in the proportion of families headed by never-married mothers would, by itself, be expected to increase AFDC receipt among all families headed by mothers. Yet the percentage of them who receive AFDC

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8. The data on families in this memorandum are for what the Census Bureau calls family groups--the sum of family households, related subfamilies (living in the household of another person or couple), and unrelated subfamilies.

9. Growth in the number of families headed by mothers has slowed even more than these data indicate. Modifications in the Census Bureau's estimating procedures in the early 1980s increased significantly the number of subfamilies headed by mothers. Thus, measured growth during the 1980s is too high and measured growth during the 1970s may be too low.

10. This increase is significantly overstated because of the Census Bureau's data modifications noted in the previous footnote. The effect of the modifications on data for never-married mothers is even greater than for all single mothers because a greater proportion of never-married mothers live in subfamilies--30 percent compared with 16 percent for all single mothers in 1990.

11. David T. Ellwood, "Targeting 'Would-Be' Long-Term Recipients of AFDC" (paper prepared for the Department of Health and Human Services, January 1986), p. 42.

TABLE 9. COMPOSITION OF FAMILIES WITH CHILDREN UNDER AGE 18

	1970	1980	1990
All Families With Children	29,631,000	32,150,000	34,670,000
Families Headed by Mothers	3,415,000	6,230,000	8,398,000
Families Headed by Mothers Who Never Married	248,000	1,063,000	2,775,000
Families Headed by Mothers as a Percentage of All Families With Children	11.5	19.4	24.2
Families Headed by Mothers Who Never Married as a Percentage of Families Headed by Mothers	7.3	17.1	33.0

SOURCES: Congressional Budget Office calculations based on data from Bureau of the Census, *Household and Family Characteristics: March 1990 and 1989*, Current Population Reports, Series P-20, No. 447.

may have fallen modestly, from 46 percent in 1980 to 39 percent in 1990 by one estimate, or possibly remained roughly constant after allowing for the Bureau of the Census data modifications noted previously (see Table 10).

One reason the percentage did not increase as expected is the OBRA 1981 legislative changes, which reduced AFDC caseloads significantly. In addition, states allowed AFDC payment standards to decline in real terms. Eligibility for AFDC is determined primarily by comparing these AFDC payment standards and related need standards with a family's income. Over the 1973-1989 period, average cash incomes of families headed by women (adjusted for inflation) remained essentially stable, at around $15,000 to $16,000 a year. At about the same time, however, the median maximum benefit (identical to the payment standard in most states) for a three-person family fell by 42 percent in real terms from 1970 to 1991. Only eight states had decreases of less than 25 percent; only one state--California--had an increase in real terms. As a result, many families with real incomes that would have made them eligible for AFDC in previous years were not eligible later.

Racial and Ethnic Composition. The nation's minority population has been increasing faster than its white population, a trend that also applies to families headed by mothers. From 1980 to 1990, families with children under 18 headed by black mothers increased by 44 percent and those headed by

TABLE 10. PARTICIPATION IN AFDC BY FAMILIES HEADED BY MOTHERS

	1980	1990
AFDC Families With One Adult Recipient[a]	2,880,000	3,290,000
Families Headed by Mothers With Children Under Age 18	6,230,000	8,398,000
Percentage of Families Headed by Mothers Who Participate in AFDC[b]	46	39

SOURCES: Congressional Budget Office calculations based on data from the Administration for Children and Families, and from the Bureau of the Census, *Household and Family Characteristics: March 1990 and 1989*, Current Population Reports, Series P-20, No. 447.

NOTE: AFDC is an abbreviation of the Aid to Families with Dependent Children program.

a. Data are for the month of March.

b. These estimates are approximate. Modifications in the Census Bureau's estimating procedures in the early 1980s significantly increased the number of subfamilies headed by mothers. Thus, the estimates of the number of families headed by mothers in 1980 are too low, the estimated percentage participating in AFDC in 1980 is too high, and the decline in the percentage from 1980 to 1990 is overstated. In addition, the data on AFDC families include some families that are headed by grandmothers or other women who are not the mothers of the children in the family or are headed by single or incapacitated fathers or by stepfathers, biasing the estimates upward in both 1980 and 1990.

Hispanics grew by 91 percent, while those headed by whites rose by 29 percent.

Because minority families are more likely to get AFDC than white families, the changing makeup of the population increased the AFDC caseload. In 1990, for example, about 25 percent of white families headed by mothers with children under the age of 18 received AFDC compared with about 50 percent of black and Hispanic families. Incomes of minority families headed by mothers are much lower than incomes of similar white families, making many more minorities than whites eligible to receive AFDC benefits.

Policy and Programmatic Changes

Public policies have also affected the size of AFDC caseloads during the 1970s and 1980s. The cuts enacted in OBRA of 1981 are perhaps the most striking example. Many other public policies--both federal and state--have also played a role in changing AFDC caseloads. The following are some of the more important policy effects:

- The decline in AFDC payment standards in most states noted earlier would have reduced the caseload over most of the last 20 years if other factors had not worked in the opposite direction.

- The proportion of cases found to be improperly receiving AFDC under the federal quality control system declined considerably during the 1970s and at a slower rate through the mid-1980s. From the mid-1980s through 1989, the proportion increased slightly. Recently, however, the ineligibility rate could

have begun to rise more rapidly as a result of either the relaxation of federal fiscal sanctions or the increase in applications for AFDC generated by the recession. No data are yet available for testing this hypothesis.

- The Immigration Reform and Control Act of 1986 may have been a force for caseload growth as early as 1987, to the extent that undocumented aliens, no longer fearful of deportation, began to claim AFDC benefits for their U.S.-born children. Moreover, caseloads will increase in some states beginning in 1992 as aliens legalized under the act become eligible to receive AFDC.

- The Job Opportunities and Basic Skills Training program (JOBS), now mandatory in all states, may be increasing the caseload because entry into a work-related program could temporarily slow down exits from AFDC. Over the longer run, however, JOBS should reduce the caseload modestly.

- Some have speculated that the attractiveness of the JOBS program and transition benefits might lead people to quit jobs and join the AFDC rolls. While a possibility, the small number of children reported to be receiving child care transition benefits--around 45,000 as of August 1991--seems to argue against this hypothesis.

- Changes in the Unemployment Insurance program may have increased the role of AFDC as a safety net for the unemployed.

- There has been considerable speculation that Medicaid policies have been a factor in increasing the AFDC caseload. For example, attempts to bring eligible families into the Medicaid program--through outstationing of eligibility workers or other outreach policies--could also be bringing families who were always eligible but never participated into AFDC.

One of these policy-related factors, falling real payment standards, in conjunction with an expanding economy, probably explains much of the relative stability in AFDC caseloads during the 1980s. From the end of 1982, after OBRA had taken full effect, until the end of 1988, before the current

economic slowdown, the AFDC-Basic caseload increased by around 35,000 cases a year. These increases were well below--indeed somewhat less than one-half of--the growth in AFDC caseloads that would have been expected from the rising number of families headed by mothers.

During the last year or two, however, most of these policy-related factors appear to have put upward pressure on AFDC caseloads. It is in exploring these policy-related factors more closely that an answer may be found for any current growth in AFDC caseloads beyond that caused by the recession.

APPENDIX: A LISTING OF RECENT STUDIES ON MODELS OF AFDC CASELOAD CHANGE

There are few studies that attempt to explain changes in AFDC caseloads as a result of economic, demographic, and policy variables, with an eye to forecasting caseload change. In recent years, only one such study has been published for national AFDC caseloads (Grossman), although a number are available for selected states. The major studies are as follows:

Albert, Vicky N. *Welfare Dependence and Welfare Policy: A Statistical Study* (New York, N.Y.: Greenwood Press, 1988).

Barnow, Burt S. "Estimating the New Jersey AFDC Caseload" (Washington, D.C.: ICF Incorporated, February 1988).

Brazzell, Jan F. "The Impact of Population Size and the Economy on Welfare Caseloads: The Special Case of Welfare Reform," *Applied Demography*, vol. 4, no. 3 (Summer 1989), pp. 1-7.

Garasky, Steven. "Analyzing the Effect of Massachusetts' ET Choices Program on the State's AFDC-Basic Caseload," *Evaluation Review* (December 1990), pp. 701-710.

Grossman, Jean Baldwin. "The Technical Report for the AFDC Forecasting Project for the Social Security Administration/Office of Family Assistance" (Washington, D.C.: Mathematica Policy Research, February 1985).

O'Neill, June. *Work and Welfare in Massachusetts* (Boston, M.A.: Pioneer Institute for Public Policy Research, 1990).

Plotnick, Robert D. and Lidman, Russell M. "Forecasting Welfare Caseloads: A Tool to Improve Budgeting," *Public Budgeting & Finance* (Autumn 1987), pp. 70-81.

Scholl, D. and Stapleford, J.E. "Forecasting State Welfare Caseloads: Alternative Methodologies" (Delaware Office of the Budget and University of Delaware, respectively; unpublished paper, 1991).

Wedel, Janet M. "An Explanatory Model for Forecasting the New York City Public Assistance Family Caseload," in Social Security Administration, Department of Health and Human Services, *Proceedings: 27th National Workshop on Welfare Research and Statistics* (1987), pp. 605-617.